

## Message Text

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SUBJECT: MEETING OF AD HOC WORKING PARTY ON ALUMINUM,  
30 JUNE - 1 JULY, 1975

REF: SENS/FORRESTER TELCON 6/26/75

1. AS NOTED TELCON, INTERESTED AGENCIES UNABLE COMPLETE  
FULL EVALUATION OF KEY DRAFT CHAPTERS IN SHORT TIME THESE  
AVAILABLE ( RAW MATERIALS CHAPTER NOT YET AVAILABLE HERE).  
USDEL SHOULD TAKE POSITION PRELIMINARY DISCUSSION MAY BE  
USEFUL BUT ALL CHAPTERS TO BE KEPT OPEN FOR FURTHER REVIEW  
AND POSSIBLE MODIFICATION TO ENSURE FINAL PRODUCT AS  
ACCURATE AND SUBSTANTIVE AS POSSIBLE.

2. HOWEVER, DURING DISCUSSION USDEL SHOULD DRAW ON  
FOLLOWING PRELIMINARY COMMENTS ON KEY CHAPTERS:

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A. DSTI/IND/AL/75.6 --

P. 9 - LINES 8 & 9 (PAR. 43)-- OMIT REFERENCE TO 1974 SCRAP  
"CONSUMPTION". FOR REASONS STATED IN "STATISTICAL COVERAGE"  
SECTION (PARS. 35-39, PP. 6-7) THE STATISTIC IS INCOMPLETE  
AND INACCURATE. ALSO NO OTHER DATA IN THIS CHAPTER GOES

BEYOND 1973, LEAVING THIS 1974 STATISTIC UNCONNECTED  
AND CONFUSING.

P.9 - LINES 9-12 (PAR. 43) -- IT INCORRECTLY OR  
MISLEADINGLY INTERPRETS TABLE 4 DATA. OLD SCRAP PER  
CAPITA INCREASED OVER 50 IN U.S., FROM 0.9 KG TO 1.4 KG,  
MORE SHARPLY THAN THE 35 INCREASE IN CONSUMPTION (22.6  
KG TO 30.3 KG). GERMANY ALSO HAD A SHARPER RISE IN  
OLD SCRAP, 60, THAN IN CONSUMPTION (LESS THAN 50). ONLY  
THE U.K. AND FRANCE SHOW DECLINES IN OLD SCRAP PER CAPITA,  
BUT THEY ARE CONSIDERABLY SMALLER TOTAL CONSUMERS THAN  
THE U.S. AND GERMANY. THE TEXT IS ALSO FAULTY BECAUSE IT  
FAILS TO MENTION THAT ONLY OLD SCRAP IS COVERED IN TABLE  
4, NOT ALL SCRAP. EXPORT-IMPORT TRADE IN SCRAP MAKES IT  
IMPOSSIBLE TO DRAW ANY CONCLUSIONS AS TO CONSUMPTION  
TRENDS FROM TABLE 4.

P. 12 - (PAR. 54) -- ELABORATE ON THIS PARAGRAPH. THE  
ORGANIZATION OF EUROPEAN ALUMINUM SMELTERS' ESTIMATES  
SHOULD BE DIFFERENTIATED FROM THE REMELTING PROCESS  
DESCRIBED IN THE PRECEDING PARAGRAPH. THE O.E.A.S.  
ESTIMATES INDICATE A CONSUMPTION OF ALMOST 15 OF  
THE ENERGY REQUIRED FOR PRIMARY PRODUCTION. THESE ESTIMATES  
REFLECT THE GENERAL EXPERIENCE OF SECONDARY SMELTERS HANDLING  
HANDLING SCRAPS OF VARYING GRADES, REQUIRING AT TIMES  
UPGRADING, PURIFYING OR ALLOY MODIFICATION. THE RECYCLING  
OF SCRAP REFERRED TO IN THE PRECEDING PARAGRAPH, REQUIRING  
ONLY 5 OF THE ENERGY USED FOR PRIMARY PRODUCTION,  
TYPICALLY CONSISTS OF MELTING DOWN ALUMINUM CAN SCRAP  
WITHOUT ANY CHANGE OF ALLOY OR OTHER KIND OF TREATMENT;  
SINCE THE RECYCLED METAL IS TYPICALLY USED TO MAKE  
ALUMINUM CAN STOCK FOR THE MANUFACTURE OF NEW CANS.

B. DSTI/IND/AL/75.8 --  
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P. 1 - (PAR. 5) -- INSTEAD OF RELYING ON THE ABSTRACT  
RATIO OF GNP TO ALUMINUM CONSUMPTION FOR A  
1975 ESTIMATE, DELEGATIONS SHOULD OBTAIN, FROM INDUSTRY IN  
THEIR RESPECTIVE COUNTRIES, THE LATEST INDUSTRY  
ESTIMATES OF 1975 CONSUMPTION FOR THE SECRETARIAT'S USE.

PP. 6-7 - SEC. III (FACTORS AFFECTING PRICE) GENERAL

COMMENTS:IT SHOULD BE NOTED THAT SECTION III DEALS ONLY WITH FACTORS AFFECTING PRIMARY, OR INGOT, PRICES. PRIMARY PRODUCERS HAVE LONG BEEN SELLING MOST OF THEIR OUTPUT (2/3 TO 85) IN SEMI-FINISHED AND FINISHED PRODUCT FORMS. AS INDICATED ABOVE IN THE DISCUSSION OF PAR. 16, THESE PRODUCTS -- AND THEIR PRICES -- ARE THE MOST SIGNIFICANT ONES IN THE MARKETING OF ALUMINUM AND IN THE

APPRAISAL OF INDUSTRY CONDITIONS. THE FACTORS AFFECTING PRIMARY PRODUCTION ARE FAR MORE SIGNIFICANT THAN FACTORS AFFECTING PRIMARY PRICING. IN ANY EVENT, SOME RECOGNITION SHOULD BE GIVEN TO THIS SITUATION.

P. 6 - (PAR. 19) -- DELETE "A BASIC DETERMINANT" AND SUBSTITUTE: "A BASIC ELEMENT IN THE DETERMINATION ...". THIS MAKES IT CLEAR THAT COSTS ARE ONE OF A NUMBER OF FACTORS.

P.6 - (PAR. 21) -- REVISION OF THIS PARAGRAPH WILL BE INCLUDED IN OUR FINAL COMMENTS. THE SITUATION IS TOO COMPLEX FOR ANY ONE ELEMENT TO BE LABELED AS "PARAMOUNT". REVISE 4TH SENTENCE TO INDICATE THAT PRODUCTION LEVELS WERE TRIMMED "BEGINNING IN THE FOURTH QUARTER OF 1974" AND THAT, AS OF MAY 1975, THE OPERATING RATE IS 80.6 (IPAI ESTIMATE).

C. DSTI/IND/AL/75.7 -- THIS CHAPTER CAN BE FOCUSED MORE SPECIFICALLY ON MAJOR ENERGY ISSUES AND WE WILL SUGGEST REVISION OF THIS AS OF OTHER CHAPTERS TO THE SECRETARIAT.

3. FYI - PARA 2 ABOVE NOT ENTIRELY CONSISTENT WITH INITIAL COMMENTS ON DRAFT CHAPTERS MADE BY INDUSTRY LIMITED OFFICIAL USE

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ASSOCIATION WHICH WOULD PREFER EXCLUDE OR PLAY DOWN PRICE DISCUSSION - END FYI. INGERSOLL

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